

**REQUEST FOR PROPOSALS
FOR
ACTUARIAL CONSULTING**

September 18, 2009

**Alabama Prepaid Affordable College Tuition Program
(PACT)**

**Kay Ivey, State Treasurer
Alabama State Capitol
600 Dexter Avenue
Montgomery, Alabama 36104**

**Release Date: September 22, 2009
Proposal Due Date: October 16, 2009**

Section I

GENERAL INFORMATION

1. Purpose

This Request for Proposal (RFP) has been issued by State Treasurer Kay Ivey (Treasurer), on behalf of the Prepaid Affordable College Tuition (PACT) Trust Fund Board of Directors (Board). The Board solicits proposals from qualified firms to serve as the consulting Actuary for PACT. This notice of need for professional services shall be widely disseminated to the professional community in a full and open manner.

This Request for Proposals (hereinafter “RFP”) is issued in accordance with the requirements of Section 41-16-72(4), Code of Alabama (1975). This RFP is not an offer to contract but seeks the submission of proposals from qualified, professional firms that may form the basis for negotiation of a Contract with one of the qualified firms.

The Treasurer shall post the RFP on the treasury website www.treasury.alabama.gov.

2. Program Information

Information about the PACT program, including the 2008 Actuarial Report, is available at the Treasurer’s website which is www.treasury.alabama.gov. The fiscal year for the State of Alabama is October 1 through September 30.

PACT is a qualified 529 prepaid college savings program. PACT became operational in March of 1990. Currently, PACT has approximately 45,000 active accounts with approximately 19,000 beneficiaries eligible to receive benefits.

The Trust Fund was 67.2% funded on 9/30/08 with trust fund assets of \$606 million, which resulted in a decision to close enrollment indefinitely. The value of trust fund assets on 6/30/09 was \$476 million. The Board is seeking funding for PACT from the Alabama Legislature. This was unsuccessful in the last legislative session, and the next session begins in January.

PACT will furnish the successful respondent with the data or statistical information necessary for performing the services required in this RFP. All information furnished by PACT shall be used only for the intended purpose and shall not be disclosed to any other party.

There are two lawsuits pending in the Montgomery County Circuit Court: (1)Perdue v. Callan Associates, Inc, Kay Ivey and the PACT Board, Case No. 03-CV-900556 and (2) Yerby v. PACT Board of Directors and Trustees (and includes the various investment managers utilized by the PACT Board), Case No. 03-CV-900399. There is a third lawsuit pending in The United States District Court, Northern District of Alabama Southern Division, McVeigh, et al, v. Callan Associates and the various investment managers utilized by the PACT Board, Case No. CV-09-0685-S.

3. Minimum Qualifications and Requirements

In order to be considered for selection, the following Minimum Qualifications must be met. You must complete and attach to your response Exhibit B, documenting that these qualifications will be met and, as applicable, all partners and subcontractors. The Proposer has a continuing obligation to disclose information throughout the RFP process should any qualifications or situations change that might render the Proposer an unqualified candidate.

A. Supervising Actuary

1. Fellow or Associate of the Society of Actuaries and or Fellow of the Conference of Actuaries in Public Practice.
2. Member of the American Academy of Actuaries and/or meet the standards of a qualified Actuary under the provisions of ERISA.
3. At least five years experience as a supervising Actuary on consulting services in analysis and valuation assignments for prepaid tuition plans or similar retirement systems with clients that have a minimum asset base of \$100 million.

B. Company

4. Once selected, the Proposer will qualify with the Secretary of State to conduct business in the State of Alabama. (To download the form for a “Certificate of Existence”, access www.sos.state.al.us, corporations division, or call 334-242-5324 to request the form.)
5. Once selected, the Proposer will carry a fidelity bond, errors and omissions insurance or comparable instruments to cover negligent acts or omissions.
6. The Proposer maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the PACT account.
7. The Proposer has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.
8. The Proposer attests that all workers providing the services described in this RFP are either citizens of the United States or are in proper and legal immigration status that authorizes them to be employed for pay within the United States.

4. Submission of Proposals

Proposals must be received at the following address **no later than the close of business on October 16, 2009**. Provide the original plus three (3) copies. You must also email the electronic copy of the response to alatreas@treasury.alabama.gov for retention purposes.

Attention: Kay Ivey, State Treasurer
State Treasurer's Office
Alabama State Capitol
600 Dexter Avenue
Montgomery, Alabama 36104

It is the responsibility of the Respondent to ensure that its proposal is timely delivered and received in the proper office on or before the deadline for responding to this RFP. The Treasurer will not consider proposals received after the date specified herein.

All questions concerning this RFP should be directed to the College Savings Programs Director, Brenda Emfinger at brenda.emfinger@treasury.alabama.gov.

5. Proposal Required Information

Proposals should be as thorough and detailed as possible so that capabilities to provide the required services can be properly evaluated.

To be considered, responses to this RFP must include:

1. Transmittal Letter providing contact information (This letter must be signed by an official in the responding organization who has the authority to bind the organization.).
2. Exhibit A, The Proposal
3. Exhibit B, Minimum Qualifications
4. Exhibit C, Statement of Fees
5. Exhibit D, Disclosure Statement. All proposals submitted in response to this RFP must include one original and completed Disclosure Statement as required by Section 41-16-80, et seq., Code of Alabama (1975). Copies of the Disclosure Statement, and information, may be downloaded from the Alabama Attorney General's web site at www.ago.state.al.us/ag_items.cfm.

6. Evaluation and Selection

After the review and evaluation of the proposals, the Board may conduct interviews. Finalists chosen for interviews, if necessary, will be notified. The Board reserves the right to request a best and final offer for fees from finalists.

The Board will select the Respondent the Board determines, in their sole discretion, to be fully qualified and best suited among those submitting proposals that best meet the needs of the PACT Program. *All proposals received in response to this RFP may be rejected and the Board may solicit additional proposals.*

7. Contract

All duties of the Actuary shall be set forth in a Contract between the Proposer and the Board. The Contract will incorporate reference to the requirements of the RFP, the response to the RFP, and any subsequent revisions to, or modifications of, the proposal as negotiated by the Board or its designee.

The expected term of the Contract will be for a five year period . State law prohibits the Board from agreeing to (1) indemnify the Manager; (2) waive the right for jury trial; (3) grant a security interest; or (4) binding arbitration. Additionally, it is mandatory that Alabama laws apply to the performance of the Contract and that jurisdiction and venue be in Montgomery, Alabama for state and federal courts.

Upon expiration or termination of the Contract, all files, tapes, manuals, documents and information held by the Actuary in connection with the performance of the services described in this RFP shall be turned over to the Board or its designee in a commercially usable format prescribed by the Board.

8. Efforts to Influence Selection Process Prohibited

The integrity of the Request for Proposals process is of primary importance and will not be compromised. Any written or oral communications beyond the RFP Response made by Proposers, or others on their behalf, whether paid or unpaid, to influence the selection process, from the time the RFP is issued through its conclusion, made directly or indirectly to the Treasurer, Board members, Treasury staff or independent advisors to the Board will be grounds for immediate elimination from the selection process. The sole point of contact is Brenda Emfinger.

9. Public Information

All responses received will be subject to the Alabama Open Records Act, §36-12-40, Code of Alabama and may be subject to public disclosure upon request. The Open Records Act is remedial and should therefore be liberally construed in favor of the public. The Alabama Trade Secrets Act is §8-27-1 through §8-27-6, Code of Alabama. Proposers are cautioned to be familiar with these statutes. The burden is on the one asserting the trade secret to show that the information sought to be protected meets the definition of a Trade Secret as defined in the Act.

Any RFP response submitted that contains confidential, trade secrets or proprietary commercial information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as such. Identification of the entire Proposal as confidential is not acceptable unless the Proposer enumerates the specific grounds or

applicable laws which support treatment of the entire material as protected from disclosure according to the foregoing statutes or other applicable Alabama law.

The owner of the confidential information shall indemnify and hold the State of Alabama, the State Treasurer, and Treasury staff harmless from all costs or expenses, including but not limited to attorney fees and expenses related to litigation concerning disclosure of said information and documents.

10. Board Liability

The Board shall have no liability whatsoever to any Proposer or subcontractor of a Proposer for any expenses or losses incurred by such entity or entities in responding to this RFP or, if such proposal is accepted, in the negotiation and preparation of the subsequent Contract, whether or not such Contract is executed. The Proposer shall indemnify and hold the Board harmless from any claim, suit, damage, or other liability, including costs and attorney's fees, occasioned by the Proposer's failure to perform an obligation under the terms of this RFP, the Proposer's proposal and any subsequent Contract.

EXHIBIT A PROPOSAL

Proposal should include the following:

1. Corporate Information

A. Corporate Overview-Provide an overview of the firm, including the following:

1. Corporate profile, including the financial condition of the firm, overall business objectives, firm experience, quality control procedures and ownership;
2. Any restrictions, consent orders, or litigation involving the firm, principals, or key personnel within the past five years;
3. Detailed information on any vendors or subcontractors the firm will partner with to provide services to PACT.
4. Describe the capability of the computer system, the ownership control of this system and the facilities to be utilized in the performance of this contract.
5. Provide details of any claims, disputes, litigation or other legal proceedings where your firm is involved with the State of Alabama or any of its agencies, or has been involved, in the three preceding years.

B. Personnel

1. Provide summaries of the professional and experience qualifications of all persons, including supervising and support actuaries who shall perform work under the contract.

C. Client Information

1. Identify three references from clients for whom you are currently or have recently provided prepaid tuition or similar services related to this RFP. References must include name, title, address, email address, phone number, type of services provided, and length of time serviced.

2. Scope of Responsibility

A. General

1. Provide expert advice and guidance regarding any actuarial and policy issues which may affect the actuarial soundness of PACT. Give expert testimony to various authorities, including the State legislature and staff, if the need arises.
2. Interact with PACT's legal counsel, staff, or Board to determine if pending legal issues may affect the actuarial soundness of the program.
3. Be readily accessible to the Board, State Treasurer and staff by telephone within one working day, and be available for meetings in Alabama within five working days of request.
4. Evaluate, if requested, the effect of any proposed legislative changes regarding the program's actuarial soundness, etc. Provide actuarial review of any program amendments to PACT's enabling legislation.
5. Provide guidance and advice regarding any new actuarial issues that may affect PACT and which arise during the term of the contract. Keep the Board and staff advised on developments in federal legislation and/or regulations regarding college financing, tuition rates, etc.
6. Attend a minimum of four board meetings annually.

Questions:

1. Describe previous experience with providing testimony before boards, legislatures and large crowds.
2. Describe your commitment in fulfilling the general requirements noted above.

B. Actuarial Analyses

1. Perform actuarial valuation and analysis as requested by the Board, at least annually.
2. Periodically review the form and content of data files maintained by PACT and make recommendations for modifications, additions or deletions that will insure the maintenance of studies and analyses.
3. Maintain a database in order to individually reconcile and sort data such as college enrollment, tuition, contract and investment data from year to year and to test the accuracy of the submitted data to be used to perform the cumulative analyses. PACT will provide copies of data files to the approved Proposer, however, the Proposer must keep this information confidential unless other wise approved by PACT
4. Provide recommendations and guidance regarding actuarial assumptions (including non economic), and document changes in assumptions with applicable written analysis. Assumptions include, but are not limited to, college enrollment at two-year and four-year institutions, tuition increases, cancellations, potential bias for attendance at certain colleges, death and disability, and usage of benefits.
5. Provide sensitivity analyses for the valuation based on variations in tuition rates and investment rates of return or other assumptions selected.
6. Develop a thorough cash-flow analysis of the program's assets and liabilities, which includes a forecast of future financial obligations of PACT based on, but not limited to: the age or grade of the beneficiary, tuition rates, years remaining before benefit payment is due, investment returns, pricing strategy, etc.
7. Annually assess and recommend strategies for maintaining a fully funded status.
8. Analyze tuition data for state public universities, college, and community/two-year colleges, and provide a determination of the Weighted Average Tuition rates based on data provided by PACT
9. By request, develop special analyses and provide various tables, matrices, supporting documentation and other materials need by PACT for reports, marketing efforts, legislative testimony or other purposes
10. Actuarial analyses shall contain sufficient explanatory text to permit a reasonable understanding of the actuarial assumptions and conclusions by competent actuaries and by persons knowledgeable in the education field. This shall include, but not be limited to, an executive summary, charts, and description of actuarial assumptions.
11. Provide the calculation of contract cancellation refunds for contracts purchased prior to 1996, based on death/disability (calculation formula provided).

Questions:

1. Describe your experience in providing valuations of prepaid or similar type plans.
2. Describe your method used to project any deficit to determine the likelihood of recovery without drastic program changes.
3. Describe your method for determining your assumption recommendations.

C. Reports/Letters

1. The Provider must submit to the State Treasurer twenty (20) copies of each Actuarial Report when they are completed. In addition, for any other reports submitted by the Provider, twenty (20) copies shall also be provided
2. The Provider must be willing to provide any special reports of an actuarial nature which may be requested by the Board.
3. The Provider must provide a professional letter, annually in the fall, providing the calculation of the Current Tuition Value used to calculate payments to private and out-of-state institutions.
4. The Provider must provide a professional letter with the resulting calculation of death/disability refunds for contracts purchased prior to 1996, as requested by staff.

Questions:

1. Provide a sample actuarial report.

EXHIBIT B

MINIMUM QUALIFICATIONS AND MISCELLANEOUS INFORMATION

1. Fellow or Associate of the Society of Actuaries and/or Fellow of the Conference of Actuaries in Public Practice.
Yes_____ No_____
2. Member of the American Academy of Actuaries and/or meet the standards of a qualified actuary under the provisions of ERISA.
Yes_____ No_____

3. At least five years experience as a supervising actuary on consulting services in analysis and valuation assignments for prepaid tuition plans or similar retirement systems with clients that have a minimum asset base of \$100 million.

Yes_____ No_____

4. The Proposer is, or will become, qualified with the Secretary of State to conduct business in the State of Alabama.(To download the form for a “Certificate of Existence”, access www.sos.state.al.us, corporations division, or call 334-242-5324 to request the form.)

Yes_____ No_____

5. The Proposer, once selected, will carry a fidelity bond, errors and omissions insurance or comparable instruments to cover negligent acts or omissions.

6. The Proposer maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the PACT account.

Yes_____ No_____

7. The Proposer has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.

Yes_____ No_____

8. The Proposer attests that all workers providing the services described in this RFP are either citizens of the United States or are in proper and legal immigration status that authorizes them to be employed for pay within the United States.

Yes_____ No_____

EXHIBIT C

STATEMENT OF FEES

1. It is anticipated that a five-year Contract will be awarded to the successful Respondent.

2. Provide annual compensation beginning no later than January 2010. All fees and charges must be included. Compensation for requested extraordinary services that are beyond the scope of work specified in the Contract should be specified in charges per hour.

3. Include a statement that the prices submitted have been arrived at independently and without consultation, communication or agreement with any other Proposer and no attempt has been made by Respondent to induce any other firm to submit, or not to submit, a Proposer for the purpose of restricting competition.

EXHIBIT D
Disclosure Statement